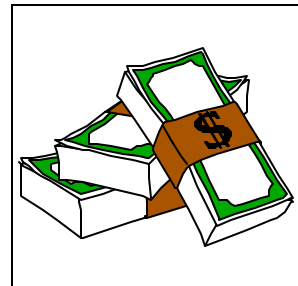


## SECTION D - FINANCIAL MANAGEMENT

### 1. OVERVIEW

This Part provides Grantees with guidelines to meet the CDBG financial requirements. The purposes of these guidelines are:

- a. To ensure that the Grantee maintains accurate and complete financial records,
- b. To outline source documentation that must be kept with the financial records,
- c. To help the grantee establish control and accountability for all funds, property, and other assets used during the implementation of the CDBG funded activity, and
- d. To outline internal controls which eliminate the potential for fraud and abuse.



### 2. LOCAL FINANCIAL MANAGEMENT RESPONSIBILITIES

Local financial management procedures should allow one to trace each CDBG dollar to see where it went. The grantee financial staff will be required to do the following:

- Review all expenditures through contracts, invoices, and purchase orders,
- Ensure proper coding of expenditures,
- Review and process requests for payments by contractors,
- Maintain records,
- Prepare financial reports,
- Prepare checks for approved expenditures.

Most financial record keeping and reporting requirements are consistent with presently operating accounting systems for Utah counties and municipalities. There is no need to redesign local accounting systems that already provide for adequate recording procedures. In many instances, the CDBG recording procedures require only minor adjustments or additions to the existing system.

### 3. INCURRING COSTS

The announcement of the CDBG award does not authorize the grant recipient to begin incurring costs. Under no circumstances will CDBG funds be used to reimburse costs incurred prior to obtaining an environmental release. As a general rule, costs incurred prior to contract execution will also not be reimbursed. The new state regulations at 24 CFR Part 579(b) do give the state a little flexibility in this regard. If you have a special situation and must incur costs prior to contract execution, you must submit **in writing** a request outlining your needs. The state CDBG staff will make a determination and respond to you **in writing**. Do not proceed without written approval.

#### 4. MULTI-YEAR CONTRACTS

If you have a multi-year CDBG contract, costs associated with the second or third years can be incurred at any time after the environmental release and original contract execution. The state, however, cannot reimburse you for the amount of the second year funding until the second year, the third year. Funding until the third year, and so on.

The Grantee must pay expenditures up front and wait for reimbursement. For example, you have a three-year CDBG contract with funding at \$25,000 per year for a total of \$75,000 that begins in June 2002. In July of 2002 you obtain your environmental release. In August of 2002 you spend \$75,000 on the project. When you submit your RFF and documentation to the state, we will reimburse you \$25,000. In June of 2003 we will amend your contract to a total of \$50,000, you submit a RFF, and we will reimburse you another \$25,000. In June of 2004 we will again amend your contract, and add another \$25,000. You submit an RFF and we will reimburse the final \$25,000. **If for some reason Congress did not continue the CDBG program in 2003 or 2004, the state would be under no obligation to reimburse you the additional \$50,000.**

#### 5. FINANCIAL DOCUMENTATION

Every CDBG transaction must be supported by adequate source documentation. Documentation should be maintained to coincide with monthly RFF's. Examples of source documentation include:

- Employee time sheets that identify time spent on the CDBG project
- Payroll registers that identify salary and benefit amounts
- Equipment logs
- Contractor requests for payments
- Invoices or receipts
- Travel vouchers and supporting documentation
- Copies of canceled checks
- Copies of deposit slips or bank statements verifying deposits
- Indirect cost plan
- Cost allocation plan

Inadequate or unacceptable documentation includes:

- Purchase orders (without a supporting invoice or receipt)
- Statements (without supporting invoice details)
- Bids

The type of documentation needed will depend on the type of project you are doing, whether you are hiring a contractor or using city or county employees, and if you are charging administration to the grant. Suppose you are doing a construction project and hiring a contractor and not taking administration. Your financial documentation would be the following:

- Contractor's requests for payment,
- Copies of the canceled checks,
- Copies of the deposits of CDBG funds.

On the other hand, if city employees are performing the work, the documentation would be:

- Employee time sheets with time spent on CDBG projects specified,
- Payroll registers,
- Equipment logs, with time spent on the CDBG project specified,
- Invoices for construction materials and supplies,
- Canceled checks,
- Copies of deposits of CDBG funds.

All CDBG financial documentation should be filed in a single CDBG file to simplify the request for funds process.

## **6. INCURRING ADMINISTRATIVE COSTS**

The state CDBG program allows up to 10 percent of the grant to be used for administrative costs. Administration covers the costs of implementing a local project, including preparing the environmental review, planning, accounting costs, fees paid to a consultant for administering the project and other contractual costs for professional services used in administration of the grant.

If the grantee wants to charge administration to the grant, it must be included in the contract budget. You must also document all administrative expenses just as you would project costs.

## **7. APPLICABLE LAWS**

The following state and federal requirements apply to the financial management function for local CDBG programs:

- 24 CFR Part 85 ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE, LOCAL AND FEDERALLY RECOGNIZED INDIAN TRIBAL GOVERNMENTS (Exhibit Book FM-1)

This part establishes uniform administrative rules for Federal grants including guidance on financial administration, procedures for control and disposition of property, and retention of records. Federal requirement for record retention is three years after close out of the grant, but the state requires retention for five years after close out.

Also, the following Federal Regulations apply to you or your subgrantees (as appropriate).

- OMB CIRCULAR A-87\*  
OMB CIRCULAR A-102\*  
OMB CIRCULAR A-21\*  
OMB CIRCULAR A-110\*  
OMB CIRCULAR A-122 \*

\* See [http://www.access.gpo.gov/su\\_docs/help/hints/fr.html](http://www.access.gpo.gov/su_docs/help/hints/fr.html) or contact the state staff for copies.

## **COST PRINCIPLES FOR STATE AND LOCAL GOVERNMENT**

Establishes the following criteria for determining whether specific costs are allowable under the CDBG program. The cost must:

- (a) Be necessary and reasonable for the proper and efficient administration of the grant activities,
- (b) Be allocable to the grant,
- (c) Be authorized or not prohibited under State or local law,
- (d) Conform to any limitations or exclusions set forth in federal laws and regulations.

### **8. INTERNAL CONTROLS**

The Grantee must establish internal controls that eliminate the potential for fraud and abuse of CDBG funds. The system of internal controls must meet the following criteria:

- No person shall have complete control over every phase of a significant transaction. For example, the person who authorized payments to contractors cannot also cut and issue the payment check.
- Fiscal record keeping shall be separate from other program management operations.
- Monthly bank reconciliations shall be made by someone who is not responsible for handling cash or issuing checks.
- Preparation of payrolls and issuance of paychecks shall be handled by different individuals.

### **9. REQUEST FOR FUNDS**

Under the Utah program all requests for payment must be submitted on Form RFF. This form, when completed, must be returned to the State Division of Community Development (Handbook). Detailed instructions for completion are on the reverse side of the Form. Normal processing time on these requests is 14 to 21 days. All requests for funds must be accompanied by copies of source documentation. In most cases this will eliminate the need for financial monitoring at the end of the project. However, program monitoring will not be eliminated. And, in some cases, on-site fiscal monitoring may also be included.

The RFF form has been revised (in the year 2001) to reflect routine reporting requirements implemented by HUD. AOG's should use the "AOG Request for Funds Form" on page 7 of this Section. RFF's that do not include the requested milestone and accomplishment information will be returned to the grantee. The dollar amount requested should generally reflect the accomplishments.

Treasury Circular 1075 states, "Cash advances to a recipient organization shall be limited to the minimum amounts needed and shall be timed to be in accord only with actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program costs and the proportionate share of any allowable indirect costs."

The best way to meet this requirement is to request payment as a reimbursement for funds already expended. If the cash position of the local government makes this impossible, the grantee may request an advance. When requesting an advance, please remember that federal funds must be spent immediately, within three days of receipt. **At no time should excess funds drawn down be kept by the grantee longer than three days.** If the funds cannot be spent within three days, contact your Program Specialist immediately for instructions. You should also be aware that a local government can not earn interest on federal funds between the time of receipt and expenditure of the funds. You may not accrue

interest on federal funds. Any interest earned must be re-paid to HUD.

As you can see, requesting federal funds for anticipated charges will require active and careful participation by the local government. There are strict deadlines and they must be met.

Payments will be made in whole dollars only. Please limit requests to one per month. The Division of Community Development processes CDBG payments two times each month (generally around the 1st and 15th) and in accordance with the Federal Cash Management Act (CMA). Please contact us for specific dates or if special circumstances arise, and we will work with you to meet your needs.

## **10. CDBG/HOME PROGRAM ADMINISTRATION**

CDBG funds cannot be used to fund HOME program administration. CDBG funds can be used to pay program delivery costs in the HOME program. The difference between administration and program delivery is not strictly defined. Probably the best way to look at costs is that if a cost can be identified to a specific project, it is program delivery and can be charged to CDBG. If a cost was incurred for a mixed function such as accounting, budgeting, coordinating, and program management, it is an administrative cost and should be charged to HOME administration. CDBG funds used for HOME program delivery are subject to CDBG eligibility and national objective requirements.

## **11. REVOLVING LOAN FUNDS - PROGRAM INCOME**

Program income, for the purposes of the CDBG program, means gross income that is received by either a grantee or sub-grantee and has been directly generated from the use of CDBG funds. For those program income-generating activities that are only partially assisted with CDBG funds, such income is prorated to reflect the actual percentage of CDBG funds that were used. Examples of CDBG program income include:

- Proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds.
- Proceeds from the disposition of equipment bought with CDBG funds.
- Gross income from the use or rental of real property that has been constructed or improved with CDBG funds and that is owned by the recipient of subrecipient.
- Payments of principal and interest on loans made using CDBG funds.
- Proceeds from the sale of loans made with CDBG funds.
- Proceeds from the sale of obligations secured by loans made with CDBG funds.
- Any interest earned on funds held in a revolving fund account.
- Any interest earned on program income pending its disposition.

Both the new state CDBG regulations and the Administrative regulations at 24 CFR Part 85 have sections devoted to program income. Under the new regulations the state will have to track a grantee's program income as long as there is program income, even after contract closeout with one exception. Program income excludes amounts less than \$10,000 collected and retained by local governments in a single year. The state has identified the year to be the entity's fiscal year. If a grantee receives less than \$10,000 in program income in a fiscal year, that amount is no longer considered program income and can be used at the discretion of the grantee. If a grantee receives more than \$10,000 in a fiscal year, the entire amount is considered program income.

As in previous years grantees must disburse program income to fund the same activity before seeking new program funds. The state always requires a statement of program income balance when requesting new revolving loan money. Semi-annual program income reports are also a requirement of the state program. These reports are as of June 30 and December 31 and are due by January 31 and July 31 respectively. Program income is a complicated issue. If you have questions please consult with the state CDBG staff.

**2002-2003 REQUEST FOR FUNDS (RFF) – 9233**

STATE OF UTAH – CDBG PROGRAM  
324 SOUTH STATE STREET, SUITE 500  
SALT LAKE CITY, UTAH 84114-7920 (801) 538-8865

RFF Request #:  
  
Date of Request:

**SECTION I - GRANTEE IDENTIFICATION**

**1. GRANTEE NAME AND ADDRESS:**

**3. CONTRACT #**

**4. CONTRACT START & END DATES:**

**FROM: TO:**

**5. DATE OF THIS REPORTING PERIOD:**

**2. CONTRACT AMOUNT (CDBG FUNDS ONLY): \$**

**FROM: TO:**

**6. ACCOMPLISHMENT NARRATIVE:**

**SECTION II - EXPENDITURES OF CDBG FUNDS ONLY\*ALL AMOUNTS MUST BE ROUNDED TO THE NEAREST DOLLAR\***

BUDGET CATEGORY	COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5
ADMINISTRATION	CONTRACT BUDGET	EXPENSES INCURRED THIS REPORTING PERIOD	ALL PRIOR EXPENDITURES	TOTAL EXPENSES	BALANCE AVAILABLE
PERSONNEL SALARIES					
FRINGE BENEFITS					
SUPPLIES/EQUIPMENT					
TRAVEL					
OTHER (Identify):					
<b>SUBTOTAL</b>					
CONSTRUCTION					
ENGINEER/ARCHITECT					
<b>SUBTOTAL</b>					
OTHER (Identify):					
<b>SUBTOTAL</b>					
<b>FINAL TOTALS</b>	\$	\$	\$	\$	\$

\_\_\_\_\_ Check here if this is revolving loan fund request

**SECTION III - GRANTEE TO COMPLETE IN FULL (Items 7 and 8 only)**

7. THIS REQUEST IS A **REIMBURSEMENT** FOR \$\_\_\_\_\_ ALREADY EXPENDED. ATTACH COPIES OF APPLICABLE DOCUMENTATION INCLUDING INVOICES AND CANCELED CHECKS.

\_\_\_\_\_ SIGNATURE OF AUTHORIZED OFFICIAL

8. THIS IS A REQUEST FOR \$\_\_\_\_\_ **ANTICIPATED EXPENDITURES**. ATTACH COPIES OF INVOICES. SEND COPIES OF CHECKS AND DEPOSITS AS SOON AS AVAILABLE TO YOUR PROGRAM SPECIALIST AT THE ADDRESS ABOVE. **REMEMBER, ALL CDBG FUNDS MUST BE EXPENDED WITHIN 3 DAYS OF RECEIPT.**

**DO NOT WRITE BELOW THIS LINE - FOR DIVISION USE ONLY** \_\_\_\_\_ SIGNATURE OF AUTHORIZED OFFICIAL

(For State Use Only) PROGRAM SPECIALIST:

DATE:

VENDOR #:

(For State Use Only) DIVISION ACCOUNTANT:	DATE:	Hud Project #	Hud Activity#
(For State Use Only) ORG#/APPR.UNIT/RPT CAT:	OBJECT CODE:	DEPARTMENT #:	

<p align="center"><b>2002-2003</b>  <b>AOG REQUEST FOR FUNDS (RFF) - 9233</b></p>					
<b>STATE OF UTAH -CDBG PROGRAM</b> <b>324 SOUTH STATE STREET, SUITE 500</b> <b>SALT LAKE CITY, UTAH 84114-7920</b>				<b>REQUEST #:</b>  <b>Date of Request:</b>	
(801) 538-8865					
<p align="center"><b>SECTION I - GRANTEE IDENTIFICATION</b></p>					
<b>1. GRANTEE NAME AND ADDRESS:</b>				<b>3. CONTRACT #:</b>	
				<b>4. CONTRACT DATES:</b>	
				<b>FROM: TO:</b>	
				<b>5. DATE OF THIS REPORTING PERIOD:</b>	
<b>2. CONTRACT AMOUNT:</b>				<b>FROM: TO:</b>	
<b>6. ACCOMPLISHMENT NARRATIVE:</b>					
<p align="center"><b>SECTION II - EXPENDITURES OF CDBG FUNDS ONLY</b> *ALL AMOUNTS MUST BE ROUNDED TO THE NEAREST DOLLAR*</p>					
<b>BUDGET CATEGORY</b>	<b>COLUMN 1</b>	<b>COLUMN 2</b>	<b>COLUMN 3</b>	<b>COLUMN 4</b>	<b>COLUMN 5</b>
ADMINISTRATION	CONTRACT BUDGET	EXPENSES INCURRED THIS REPORTING PERIOD	ALL PRIOR EXPENDITURES	TOTAL EXPENSES	BALANCE AVAILABLE
SALARIES					
SUPPLIES/EQUIPMENT					
TRAVEL					
OTHER (IDENTIFY)					
PLANNING					
SALARIES					
SUPPLIES/EQUIPMENT					
TRAVEL					
OTHER (IDENTIFY)					
TECHNICAL ASSISTANCE					
SALARIES					
SUPPLIES/EQUIPMENT					
TRAVEL					
OTHER (IDENTIFY)					
<b>FINAL TOTALS</b>	\$	\$	\$	\$	\$
<p><b>SECTION III - GRANTEE TO COMPLETE IN FULL (Item 7)</b></p>					

7. THIS REQUEST IS A **REIMBURSEMENT** FOR \$\_\_\_\_\_ ALREADY EXPENDED. ATTACH COPIES OF APPLICABLE DOCUMENTATION INCLUDING INVOICES AND CANCELED CHECKS. REMEMBER ALL CDBG FUNDS MUST BE EXPENDED WITHIN 3 DAYS OF RECEIPT.

DO NOT WRITE BELOW THIS LINE – FOR DIVISION USE ONLY

\_\_\_\_\_  
SIGNATURE OF AUTHORIZED OFFICIAL

(For State Use Only)PROGRAM SPECIALIST:	DATE:	VENDOR #:	
(For State Use Only)DIVISION ACCOUNTANT:	DATE:	Hud Project #	Hud Activity #
(For State Use Only)ORG#/APPR UNIT/RPT CAT:	ACCOUNT CODE:	DEPARTMENT #:	

#### SECTION I - GRANTEE TO COMPLETE FRONT SIDE AS INSTRUCTED BELOW

1. Name and official mailing address of Grantee
2. Contract Number: (6 digits)
3. Amount of CDBG Contract ONLY
4. Contract dates - From: Effective date of contract (execution date on page 2 of contract) To: Termination date of contract (see page 1 of contract) - If an amendment for an extension has been received be sure to show amended date
5. The expenses associated with this request for funds were incurred between these two dates.
6. In addition to attaching appropriate invoices, a narrative description of project accomplishments from the date of the previous RFF through the date of this request must be provided. Funds will not be processed until this narrative is included.

#### SECTION II- GRANTEE TO COMPLETE FRONT SIDE AS INSTRUCTED BELOW

- |   |   |
|---|---|
| <b>COLUMN 1: Contract Budget</b>        | Insert the figures from the budget page, Attachment C, of the contract. This column Details the amount budgeted for each activity of the project. |
| <b>COLUMN 2: Expenses incurred this</b> | Indicate the total expenses for each activity, in each category, during the period being reported.  |
| <b>COLUMN 3: All prior expenditures</b> | Indicate the cumulative amounts spent in each activity (Get this information from the most recent RFF).   |
| <b>COLUMN 4: Total Expenses</b>         | Add Columns 2 and 3.  |
| <b>COLUMN 5: Balance Available</b>      | Subtract Column 4 from Column 1.  |
| <b>REVOLVING LOANS:</b>                 | Grantees who are operating a revolving loan program request must indicate so.   |

#### SECTION III - GRANTEE TO COMPLETE FRONT SIDE AS INSTRUCTED BELOW

7. IF THIS REQUEST IS A REIMBURSEMENT OF FUNDS ALREADY SPENT, PLEASE INDICATE THE AMOUNT REQUESTED. (Remember these funds must be expended within 3 days of receipt).
8. IF THE REQUEST IS FOR EXPENSES THAT HAVE NOT BEEN PAID, PLEASE INDICATE THE AMOUNT (Remember these funds must be expended within 3 days of receipt).



**THE TOTAL AMOUNT OF 7 AND 8 MUST EQUAL THE FINAL TOTAL OF COLUMN 2. EXPENSES INCURRED THIS REPORTING PERIOD. ATTACH APPLICABLE DOCUMENTATION. OBTAIN AUTHORIZED OFFICIAL CDBG CONTRACT. (SECTION F) SIGNATURE.**